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BUSINESS

ECONOMIC PRINCIPALS
DAVID WARSH

What the candidates won't say tonight

When the candidates get together tonight, they'll debate what the record shows. George Bush will tout job creation, low unemployment rates and lower inflation; Michael Dukakis will challenge slow income growth, push his class-war thesis, talk about the overhang of the national debt. Both will come armed with plenty of statistics.

But economic movements don't cleave neatly into the length of presidential terms of office. The really interesting questions have to do with events and decisions taken all around the world in the 1970s; the payoffs and hard consequences of positions taken today will not be known until the 1990s.

Here's what the candidates won't say tonight, because it's out of the technical frame of the debate. Here's what the independents want to know.

The battle against inflation: Paul Volcker was a Democrat, after all, appointed by a Democrat, Jimmy Carter, to battle inflation that started going truly out of control under Richard Nixon – but Dukakis won't be bragging about it. Implicit in his silence is the likelihood that he doesn't think the epic 10-year battle against the money sickness was worthwhile. Thus, the Duke is not exactly the one to ask the question that is uppermost in the markets' minds: will Bush be willing to be tough on this most fundamental of all housekeeping issues?

Banking perpendicularity: What about the contrasting styles of those two notable Texans, House Speaker Jim Wright and former Treasury Secretary James Baker? While Wright was sabotaging Federal Savings and Loan Insurance Corp. efforts to stop the abuse of federal insurance by his constituents in their desperate efforts to stay afloat in the mid-1980s – he held the FSLIC budget captive – Baker scrupulously avoided advocating micro-relief for his Texas pals, and instead presided over an effort to make the savings and loan industry pay for the bailout. That approach is wearing thin; soon after the election, some big taxpayer money (on the order of $20 billion or so) will be required to staunch the flow of losses. Just how tricky is this issue for a governor who's made cooperation with the Democratic Congress the strong suit of his presidential bid?

The fate of the middle class: Are you better off today than eight years ago? Probably not. Average weekly earnings for individuals have dropped 8 percent since the palmy (if chaotic) year of 1979, and the family income growth that George Bush likes to talk about has grown only because a record number of wives have joined the work force. But such eight-year comparisons miss the point. After a long world boom in the 1950s and 1960s, the growth of real purchasing power all but stopped in 1973 – and has yet to resume anything like its former pace. This is the "Quiet Depression" of earnings that economists talk about, and while there is no real agreement about the causes – OPEC and inflation seem to have had much to do with it – almost nobody blames the slowdown in productivity on Reaganomics in and of itself. The "vanishing" middle class that the Democrats like to talk about is still there; its sentiments about whose economic policies will give it the best deal in the 1990s will probably determine the outcome of the election.

Preparing for the future: Japan is awash in capital, investing twice as much per employee as the United States; the *average* savings rate in industrial countries is 13 percent; the savings rate in the United States continues to be a dismal 2 percent. What's the next president going to do about it? Gov. Dukakis's advisers have laid out a carefully-analyzed plan that calls for deficit

WARSH, Page A3

Inside

Investments:
Beatson Wallace describes Eastern's policy change on dividends as another attempt to keep the struggling airline aloft.
Page A2

Columnist Robert Metz says that the giant Campbell Soup company is at a point where it may grow stronger or could weaken.
Page A2

International Business:
Thatcher on sovereignty; perestroika and the World Bank; Japanese rebuff in France.
Page A8

Profile of a Teamster dissident

David Robbins says threats, harassment are the price for fighting for a more open union

By Bruce Butterfield
Globe Staff

David Robbins felt his stomach tighten as he sat on a folding metal chair – surrounded by Teamster leaders from throughout New England – in the packed Georgian Room of Boston's Park Plaza Hotel last July.

It is never easy to stand up and speak your mind amid those who see you as the enemy. And Robbins – truck driver and Teamster dissident – has been seen as the enemy by most officials in this tough and troubled union for nearly a decade.

He has been jeered at union meetings, roughed up outside Teamster halls, chased away, threatened, and warned by fellow drivers to "watch your step."

Still, Robbins has continued to stand up, to speak his mind. Even Teamster officials give him that. And this night in July – two days before New England Teamster leader William J. McCarthy was to be named president of international union – Robbins was determined to speak out again.

"Brother McCarthy," he said, winning the attention of the soon-to-be Teamster chief. The room hushed and Robbins – the only open dissident in Teamster New England Council meetings – took the floor to tell McCarthy his bid to succeed Jackie Presser was both undemocratic and wrong.

"Think of it. Seventeen guys on the executive board are going to elect the president of our 1.7 million member union. Seventeen guys. And the rank and file have nothing to say about it."

Teamster leaders there at the time insist they forget McCarthy's response. But Robbins says he remembers. "If we give the rank and file the right to vote, we don't know who they'll put in there," he quotes McCarthy as saying.

□

The rank and file of the International Brotherhood of Teamsters had no direct vote two days later when McCarthy seized control of the nation's biggest union.

Robbins, at the time driving a tractor-trailer truck loaded with paper to Worcester, expected as much. "Changes have to be made, and they're not going to come from the top," he said. "The rank and file have to take back control of this union."

As much as any still active Teamster, the 36-year-old Robbins has been a voice of opposition in Boston-area Teamster unions for most of the last 10 years. For much of that time, it has been a lonely, fruitless and occasionally dangerous task.

Widely branded as "socialists" and "troublemakers" by Teamster officials, including McCarthy, union activists such as Robbins have been dealt setback after setback in what they see as efforts to make their locals more responsive to members.

Many of the original reformers have left or been driven underground: David Wolfinson moved to Detroit; Arthur Doty was beaten up during a union election, denied union membership in some locals and now can't get a Teamster job in Massachusetts; Frank Salemme was elected to office as a reformer, abandoned the movement, and is now dead.

McCarthy, who retains his seat as head of New England's largest local, said in a telephone interview that he has never threatened or permitted violence against Teamster dissidents in the region.

"I don't threaten people at a meeting or any place else," he said. "They come to our meetings, they say what they want."

He charged the Teamsters for a Democratic Union – the reform group formed by activists in 1977 to change the union from within – is a tiny and unrepresentative segment of Teamster rank-and-file members. Locally, he added, it is filled with people unwilling to work and "constantly looking for trouble."

A different story emerges from Teamster activists and their supporters.

To be sure, they have been a small and struggling group among New England's near-

TEAMSTERS, Page A6

Globe photo/Barry Chin

Truck driver David robbins has been a thorn in the side of the Teamster leadership.

He's a Teamster no more

ARTHUR DOTY

Arthur Doty made it through two tours of combat duty with the Marines in Vietnam, but wasn't able to survive work as a Teamster dissident in America.

The longest and most outspoken dissident in Boston-area Teamster unions, the 42-year-old Doty is now driving a truck for a nonunion Massachusetts firm and struggling with his wife, Debra, to make ends meet.

During 18 years as a Teamster, friends say, Doty has been beaten up for his union activities, fired from a job because of the union, threatened repeatedly, removed from elected union office, and denied membership in three Teamster locals.

"I believe in unions. I will until the day I die," a discouraged Doty said last week. "But this is not a good union, this is not a democratic union. I don't think I could ever be a Teamster again."

Teamster president William McCarthy and several New England Teamster leaders accused Doty of being obsessed with imagined union wrongdoing against both himself and members of a union dissident group, Teamsters for a Democratic Union, and said he was not harassed.

"People in TDU from my experience in the New England area are people like Dotys," McCarthy said. "They don't want to give the company a fair day's work. They constantly look for trouble.

"I don't operate like that," he added.

But activists in Boston chapter of TDU insist Doty was

DOTY, Page A6

What scandal? Arbitrage business is booming

By Robert Lenzner
Globe Staff

NEW YORK – Ivan Boesky called the arbitrage business "Wall Street's best kept money-making secret."

And that's the way Prudential-Bache, Salomon Inc., Oppenheimer & Co., Cambridge Capital, Bear Stearns & Co. and many other securities firms and private investment groups would like to keep it.

They don't exactly want to crow about the record torrent of profits they have made so far in 1988 from a stream of huge takeovers fostered by competitive bids, the availability of immense liquidity, and the rush to get deals done before the halcyon days of Reagan deregulation possibly come to an end.

That's because they prefer a very low profile while Drexel Burnham Lambert faces prosecution in the courts and charges are pending against a host of other arbitrageurs and investment bankers.

Arbitrage, a speculative investment game that depends on sources of information, guts and plenty of capital, has been tarnished by the ongoing spectacle of scandals in Wall Street. In fact, the Securities and Exchange Commission has charged Michael Milken, Drexel's junk bond genius, with using "inside information" to take arbitrage positions for his firm through Boesky, perhaps the scandal's most shocking new allegation.

Arbitrageurs, who buy and warehouse the stocks involved in takeovers from sellers who don't want to take the risk of the deal, have benefited from an abundance of huge, often competitive, transactions during the first part of the year.

Some $115 billion will have exchanged hands in premium prices by the year's close, helping arbitrage departments of investment banks and private firms make at minimum a 40 percent gain during a period when the stock market rose less than 8 percent, according to Salomon Bros. Since investment banks only have to invest 15 percent of a stock's value, their return on investment has been a great deal higher in some cases.

It is estimated that arbitrage firms have about $10 billion to invest – a potential purchasing power of perhaps $40 billion. This provides the market in takeover stocks with liquidity, since small shareholders who don't want to take the risk of a complicated takeover will sell to the arbitrage firm.

The ability to make these kind of returns has helped securities firms like Bear Stearns and Oppenheimer to develop a substantial retail interest in takeover situations. Neither firm is willing to comment on the extent of their involvement or performance in 1988.

"The quality of the buyers has significantly improved the chances of successful completion of transactions," says Guy Wyser-Pratt, managing director of Prudential-Bache's arbitrage department. "There are more legitimate corporate buyers rather than fly-by-night entrepreneurs."

Moreover, deal stocks sold at sharp discounts from their takeover levels early in the year as a result of the carnage left over from the stock market crash, the exit of some key players and tight restrictions on the progress of takeovers due to the scandal.

"The spreads or profits were better because nobody could find out anything in an environment where people were tight-lipped," says Richard Nye.

ARBITRAGE, Page A4

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